



**ABAG PLAN CORPORATION**  
**Executive Committee**  
**Regular Meeting**  
**Summary Minutes**

**Thursday, May 15, 2008**  
**101 Eighth Street**  
**Oakland, CA 94607**  
**Conference Room B**

**Presiding**

Julie Carter, Chairman

**Jurisdiction**

Dublin

**Committee Members Present**

Laura Allen  
Tina Reza, for Jack Dilles  
Emma Karlen  
Shawn Mason  
Jim Steele  
Orry Korb

Colma  
Morgan Hill  
Milpitas  
San Mateo  
So. San Francisco  
Los Gatos

**Committee Member Present via Teleconference**

Cecilia Quick &  
Peter Urhausen

Pacifica  
Pacifica's Legal Counsel

**Committee Members Absent**

Jeff Maltbie

San Carlos

**Staff Present – ABAG PLAN Corporation**

Henry Gardner, ABAG Executive Director  
Marcus Beverly, Risk Manager  
Gertruda Luermann, Risk Management Analyst  
Carol Taylor, Recording Secretary  
Ken Moy, Legal Counsel

**1. Call to Order:**

Julie Carter called the meeting to order at 10:00 a.m. A quorum was present.

**2. Public Comments:**

None

**3. Approval of Minutes for March 11, 2008:**

Minutes of March 11, 2008, approved as presented.  
/M/Korb/S/Karlen/C/unanimously approved

#### **4. Election of Officers for FY 08-09 & Approval of Committee Schedules:**

The Committee was asked to nominate officers to fill the Board Chair and Vice Chair positions for FY 08-09, recommend committee appointments, and recommend dates for the committees' regular meeting dates.

After a brief discussion, Committee members nominated:

Board Chair: Emma Karlen. /M/Steele/S/Allen/C/unanimously approved

Vice Chair: Laura Allen. /M/Karlen/S/Steele/unanimously approved

Recommended dates for the Committees' regular meetings were accepted as presented.

The members also discussed the makeup of the Executive Committee and staff's recommendation to consider changing the makeup to ensure membership does not fall below a quorum of five members. After discussion, the members agreed to recommend amending the Bylaws to increase Committee membership to 9 members. The number of at-large members would increase from two to three, and committees would be able to appoint an Executive Committee representative to fill the vacancy created when their Chair is also the Chair or Vice Chair of the Board.

Staff will prepare an amendment to the Bylaws reflecting these changes and present the Committee's recommendation to the Board of Directors for approval.

/M/Mason/S/Allen/C/unanimously approved

#### **5. Actuary Committee Report**

##### **A. Funding Policy Revisions**

Marcus Beverly presented a request to recommend revising the PLAN's Funding Policy to reflect updates since the last change and to add an additional financial benchmark.

The updates include the use of Net Assets instead of Fund Balance or "Retained Earnings on Balance Sheet", to reflect changes in the terms used in the PLAN's audited financial statements. Additions include the method for calculating ULAE approved by the Board and a benchmark comparing Net Premium to Net Assets. The goal is to maintain a 1:1 ratio or less and the result is used to measure susceptibility to pricing errors.

After presentation and a brief discussion by the Committee the recommended Funding Policy updates were approved as presented.

/M/Steele/S/Korb/C/unanimously approved

##### **B. Program Status and Funding for FY 08-09**

Beverly provided an overview of Bickmore Risk Services' report regarding the PLAN's Liability Program as of June 30, 2008. Estimated Ultimate Losses are down \$946,743 overall, even with an increase of \$1,764,000 in 2001-02 for the Pacifica settlement. The full payment of \$3,350,000 is reflected in the analysis of outstanding liabilities and contributes to an expected decrease in net assets of \$5,100,000. In addition, the PLAN has an exposure up to \$5,000,000 from an inverse related claim re-submitted in February that will further impact liabilities and/or net assets.

The funding for FY 08-09 is relatively stable, with the base rate remaining at \$1.03 per \$100 of payroll and a projected increase of \$364,317, or 4.6%. Administrative expenses are \$100,000 of the increase, with the rest for loss funding. The increases in both the administration and loss funding are due mainly to payroll increases.

The recommendations in the staff report and by the Actuary Committee were discussed, with members provided funding options for 2008-09. Staff is working with the PLAN's actuary and broker to provide options for a \$2.5 million SIR.

The members agreed to recommend the \$15 million insurance excess a \$5 million SIR option, the same as the current program, pending the options for a lower SIR to be presented at the Board meeting on June 11.

/M/Korb/S/Mason/C/unanimously approved.

Beverly also presented analysis of the Property Program funding. Rates are expected to decrease slightly, with coverage terms stable to slightly improved. Total premium will be allocated based on total insured values.

The key change is additional pool funding for properties in flood zones. Members wanted a way to fund the \$150,000 difference between the \$100,000 deductible for most losses and the \$250,000 deductible for flood losses to properties in flood zones. Using an estimate of two such losses every ten years, staff recommended an annualized amount of \$30,000, allocated based on the insured values of the properties in those zones. An additional \$10,000 for all members was also recommended to cover other deductibles greater than \$100,000.

After discussion by Committee members the recommended funding increases were approved.  
/M/Karlen/S/Steele/C/unanimously approved.

## **6. Risk Management Committee Report**

### **Risk Management Programs and Funding**

Gertruda Luermann, Risk Management Analyst, presented an overview of member progress in implementing the Risk Management Policy, including feedback and suggestions for the FY 08-09 risk management programs. She presented the total spent so far this year by member and category, hours billed by member and consultant, and the scorecard results showing progress over the last three years.

Member interest, participation, and training attendance continue to increase, with the sewer, police and defensive driving programs especially active this year. Staff and members discussed the programs, upcoming training topics, and ideas for increasing participation.

Marcus Beverly presented the recommended funding for the FY 08-09 programs. The proposed budget formula for services and grants is the same as the current year, with a couple of exceptions. Members without police are given an additional \$5,000 matching grant, and the amount for risk management training is increased from \$2,000 to \$3,000.

Other recommendations presented included an increase in the defensive driving and sewer program budgets, continued funding of the analyst position from reserves, and authority for the Risk Management Committee to approve software purchase up to \$300,000.

After the Committee members' review and discussion the recommended action to fund the risk management Programs for FY 08-09 and provide authority for software purchase was approved as presented.

/M/Karlen/S/Steele/C/unanimously approved.

## **7. Finance Committee Report:**

Marcus Beverly presented an overview of the Committee's activities, including the audited financials as of June 30, 2007, and the PLAN's Investment Performance Report as of December 31, 2007.

Given the changes in the PLAN's financial position over the last year, the audit results were discussed briefly, with note that PLAN received an unqualified, or clean, opinion. Net assets increased by \$7.4 million, with outstanding liabilities steady at approximately \$17 million and claim payments of \$1.9 million.

The investment portfolio remains within policy guidelines, with an overall yield of 4.56%. The investment duration is below our target due to the continuing inverse yield curve that makes short-term investments more attractive.

After presentation and a brief discussion the audited financials of June 30, 2007, and the PLAN's Investment Performance Report of December 31, 2007, were approved as presented. /M/Mason/S/Allen/C/unanimously approved.

## **8. Claim Committee Report:**

Marcus Beverly provided a list of claims by amount incurred and a verbal overview of the current year's paid and pending claims. The only significant payment beyond the Pacifica settlement was \$700,000 paid for a police claim. Otherwise, the PLAN enjoyed a below average year for claim payments, with trends other than the inverse exposure favorable.

Committee members and staff discussed the claims report and lessons learned from the police case. There was no action taken.

## **9. Proposed ABAG PLAN budget – FY 2008-09:**

Beverly presented the proposed budget for PLAN administrative expenses for FY 08-09. He explained the areas of increase and decrease in the budget. Consultant expenses are down and personnel costs are increasing, with a net increase of \$100,000, or 4%. A projected deficit of \$65,000 is offset by projected reserves of \$350,000.

After review and discussion the committee approved the recommended administrative budget for FY 08-09. /M/Mason/S/Korb/C/unanimously approved.

## **10. Strategic Planning Discussion**

### **A. Coverage and Loss Sharing Policy Issues**

Marcus Beverly presented a report outlining a number of strategic issues that needed to be addressed in the wake of recent litigation, including coverage for inverse claims, resolving coverage questions, and allocating losses among the members. The committee was asked to give direction regarding a process to address the issues and present them to the Board of Directors for resolution.

The committee members and staff discussed the issues raised in the report, with the focus on how to present them to the members in a way to get them engaged. The process will begin with a special 90 minute presentation for Member City Managers and City Attorneys prior to the next Board meeting. Members discussed the goal of the presentation and the questions the members may want answered.

Julie Carter and Jim Steele volunteered to make the presentation and will recruit other Board members to assist. Staff agreed to provide an outline for the members to use as a starting point for further discussion to complete the presentation. No action was taken.

**B. Memorandum of Coverage (MOC) Revisions:**

Kenneth Moy, Legal Counsel, presented a brief update on the progress of drafting recommended changes to the Liability MOC, including revisions to the inverse exclusion. The language is not complete but will be sent to a number of Member City Attorneys for review and feedback prior to presentation to the Committee members and Board for approval.

Committee Members agreed with staff direction regarding revisions and feedback process. No action was taken.

**11. Conference with Legal Counsel – anticipated or existing litigation.**

**\*Yamagiwa vs. the City of Half Moon Bay**

The meeting was called into closed session at 12:59 p.m.

Item 11. was discussed in closed session pursuant to the requirements of the Ralph M. Brown Act. All actions taken were announced in open session prior to the adjournment of the meeting.

**12. Announcements**

Meeting was called into open session at 1:18 p.m. Julie Carter made announcement that the committee met in closed session and no reportable action was taken.

**13. Other Business:**

Marcus Beverly announced that recognition awards for achieving Best Practice status will be given at the Board of Directors meeting on June 11, 2008.

**14. Adjournment:**

Meeting adjourned by Julie Carter at 1:20 p.m.

Respectfully Submitted,



Marcus Beverly  
Risk Manager and Secretary